

City of Garden City, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Garden City, Michigan

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Independent Auditor's Report

To the City Council
City of Garden City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garden City, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Garden City, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Garden City, Michigan's basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 1, 2008

City of Garden City, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Garden City, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- Total net assets related to the City's governmental activities increased by 6.6 percent. A significant portion of this increase is the result of state and federal funding of the Maplewood Road paving project.
- The City has continued to carefully monitor spending and continued its previous plan, including reduced staffing levels, decreased capital expenditures, and consolidation of services.
- As a result of actuarial findings, the City was required to make a contribution to the pension system equaling 19.48 percent of payroll. The contribution for the fiscal year ending June 30, 2009 is expected to be about 20.74 percent of payroll.
- Labor contracts for all but two of the six bargaining groups have active current contracts. Of the two labor agreements that are expired, both are currently under negotiations. Those two contracts represent 20 percent of the City's employees.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The financial statements for each fund present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding or monitor spending. Some funds are required to be separately maintained by state law. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for future spending. The governmental fund statements provide a detailed short-term view that highlights whether there are more or fewer financial resources available in the near future to finance the City's programs. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered to be major funds. Data for the other 38 governmental funds are combined into a single, aggregated presentation. Individual fund data for the nonmajor governmental funds is provided in the form of combining statements located in the other supplemental information section of this report.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all major governmental funds to demonstrate budgetary compliance.

- **Proprietary Funds** - Proprietary fund reporting, like government-wide statements, provide both short-term and long-term financial information. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its water and sewer operation. This fund is considered a major fund of the City. Internal Service Funds accumulate and allocate costs internally among various functions. The City uses an Internal Service Fund to account for its self-insurance program. Because this program predominantly benefits governmental rather than business-type functions, it has been consolidated within the governmental activities in the government-wide financial statements.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

The required supplemental information is in addition to the basic financial statements and accompanying notes. This section of the report highlights the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees. In addition, this section includes the budgetary comparison statements for the General Fund and major Special Revenue Fund.

Other Financial and Supplemental Information

The combining fund statements referred to earlier, as well as the City's schedule of indebtedness, are presented immediately following the required supplemental information section of this report.

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008 and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Assets						
Current assets	\$ 15.0	\$ 13.1	\$ 1.8	\$ 4.3	\$ 16.8	\$ 17.4
Noncurrent assets	<u>38.4</u>	<u>37.3</u>	<u>35.8</u>	<u>35.7</u>	<u>74.2</u>	<u>73.0</u>
Total assets	53.4	50.4	37.6	40.0	91.0	90.4
Liabilities						
Current liabilities	4.0	3.2	1.6	1.8	5.6	5.0
Long-term liabilities	<u>23.8</u>	<u>19.8</u>	<u>9.7</u>	<u>10.2</u>	<u>33.5</u>	<u>30.0</u>
Total liabilities	<u>27.8</u>	<u>23.0</u>	<u>11.3</u>	<u>12.0</u>	<u>39.1</u>	<u>35.0</u>
Net Assets						
Invested in capital assets -						
Net of related debt	28.6	30.4	25.2	24.4	53.8	54.8
Restricted	10.2	8.5	-	-	10.2	8.5
Unrestricted	<u>(13.2)</u>	<u>(11.5)</u>	<u>1.1</u>	<u>3.6</u>	<u>(12.1)</u>	<u>(7.9)</u>
Total net assets	<u>\$ 25.6</u>	<u>\$ 27.4</u>	<u>\$ 26.3</u>	<u>\$ 28.0</u>	<u>\$ 51.9</u>	<u>\$ 55.4</u>

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets increased approximately 6.7 percent from a year ago - increasing from \$51.9 million to \$55.4 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately 6.6 percent, or approximately \$1.7 million, during fiscal year 2008. In contrast, the business-type activities experienced a 6.7 percent, or \$1.8 million, increase in net assets during fiscal year 2008.

Governmental unrestricted net assets, the portion of net assets available to finance day-to-day operations and future growth, changed from a negative \$13.2 million at June 30, 2007 to negative \$11.5 million at June 30, 2008. The decrease in the deficit was mainly due to the release of restricted net assets that are now able to be used for general operations. This unrestricted deficit will be eliminated by the future debt payments of the bonds issued and outstanding related to the Wayne Oakland Contractors lawsuit. This debt will be paid down through the voter-approved millage placed on the tax roll beginning July 1, 2006. Further recoveries were made which will allow the debt to be reduced in future years. Also, limited property tax growth and increased interest income had an effect on the governmental activities' overall income.

In contrast, the business-type unrestricted net assets increased by \$2.5 million for the fiscal year ended June 30, 2008. This increase was due mainly to rate increases to cover the rising costs to the City of providing and maintaining the water and sewer system for the citizens of the City of Garden City, Michigan. In addition, a significant number of water meters were replaced throughout the City. These new, accurate meters allowed the City to collect revenues that previously were lost due to the decreased accuracy of old meters. In compliance with the adopted five-year plan for this operation, the increased cost of water and sewage treatment from the Detroit Water and Sewer Department (DWSD) and Wayne County was passed onto the users of the services. In addition, the rate structure was set to cover any additional costs of critical repairs to the City's water and sewer infrastructure.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the years ended June 30, 2008 and 2007:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue						
Program revenue:						
Charges for services	\$ 2.6	\$ 2.8	\$ 7.2	\$ 7.7	\$ 9.8	\$ 10.5
Operating grants and contributions	2.2	2.2	-	-	2.2	2.2
Capital grants and contributions	-	0.7	-	-	-	0.7
General revenue:						
Property taxes	12.5	13.3	-	-	12.5	13.3
State-shared revenue	3.2	3.2	-	-	3.2	3.2
Unrestricted investment earnings	0.1	0.7	-	-	0.1	0.7
Franchise fees	0.3	0.3	-	-	0.3	0.3
Other	0.7	0.3	-	-	0.7	0.3
Total revenue	21.6	23.5	7.2	7.7	28.8	31.2
Program Expenses						
General government	4.7	4.9	-	-	4.7	4.9
Public safety	8.5	8.7	-	-	8.5	8.7
Public works	4.8	4.1	-	-	4.8	4.1
Community maintenance, development, and other	0.5	1.5	-	-	0.5	1.5
Culture and recreation	1.2	1.1	-	-	1.2	1.1
District Court	0.7	0.7	-	-	0.7	0.7
Interest expense	0.8	0.8	-	-	0.8	0.8
Water and sewer	-	-	6.3	5.9	6.3	5.9
Total program expenses	21.2	21.8	6.3	5.9	27.5	27.7
Change in Net Assets	<u>\$ 0.4</u>	<u>\$ 1.7</u>	<u>\$ 0.9</u>	<u>\$ 1.8</u>	<u>\$ 1.3</u>	<u>\$ 3.5</u>

Governmental Activities

The City's total governmental revenues and other items increased by approximately \$1.9 million, mostly due to increased property tax revenue and charges for various City services.

Governmental expenses increased by approximately 2.9 percent, or \$0.6 million. The City continues to tighten controls on spending, pursue a continuing deficit reduction plan, and reduce capital expenditures from the General Fund. Inflationary factors have affected costs especially in the areas of health care and required pension contributions. Personnel costs were reduced by retirements and attrition in the current year.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer services to residents from the DWSD. A positive cash flow for operational activities was realized as a result of strict adherence to the five-year plan adopted by the City Council in 2002 and 2007, and updated periodically thereafter.

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as the Major and Local Streets Funds. The City's major funds for the fiscal year ended June 30, 2008 included the General Fund and Major Streets Fund in accordance with GASB requirements.

The General Fund pays for most of the City's governmental services. The most significant are personnel costs. Personnel costs account for approximately 49 percent of the General Fund budget. Public safety (police and fire) costs account for approximately 36 percent of the General Fund budget, approximately \$7.1 million, in the fiscal year ended June 30, 2008.

The Major Streets Fund is used by the City to account for capital outlay expenditures related to road construction and maintenance. State revenue sources and transfers from other funds support the activities recorded in this fund. Net assets in the Major Streets Fund increased, as completed road improvement projects were less than the Act 51 revenue from the State. Maplewood Road, a major City thoroughfare, was the focus of this year's Major Streets Fund program and was partially paid for using grants from both state and federal sources.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The General Fund's fund balance increased from \$1,632,690 a year ago to \$2,272,561 at June 30, 2008.

Capital Asset and Debt Administration

The City's investment in capital assets was reduced significantly in response to the reduction in revenue. Investment was still made in police cars, MIS, and roads to maintain the strides made in the improvement of the City's infrastructure.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year will show the effects of significant expense reductions. Continued decreases in state-shared revenue are always feared. We expect property tax revenue to rise at the rate of inflation pursuant to the restrictions of Proposal A and Headlee limitations.

We anticipate that the water rates will increase during the fiscal year ending June 30, 2009 to reflect any increases received from Detroit Water and Sewer Department and Wayne County, and in accordance with our five-year plan.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the office of the treasurer/city clerk.

City of Garden City, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 10,185,828	\$ 1,117,988	\$ 11,303,816	\$ 817,462
Receivables - Net (Note 3)	1,017,995	3,061,199	4,079,194	387,810
Due from other governmental units	1,300,314	-	1,300,314	-
Prepaid costs and other assets	332,893	174,219	507,112	-
Investment in CWCSA (Note 9)	275,695	-	275,695	-
Capital assets - Net (Note 4)	37,261,210	35,670,291	72,931,501	1,922,729
Total assets	50,373,935	40,023,697	90,397,632	3,128,001
Liabilities				
Accounts payable	724,584	520,401	1,244,985	5,522
Accrued and other liabilities	516,057	113,469	629,526	26,165
Noncurrent liabilities:				
Compensated absences and other (Note 6):				
Due within one year	404,112	81,030	485,142	-
Due in more than one year	981,977	-	981,977	-
Long-term debt (Note 6):				
Due within one year	1,558,104	1,025,454	2,583,558	123,135
Due in more than one year	18,831,122	10,243,197	29,074,319	1,806,041
Total liabilities	23,015,956	11,983,551	34,999,507	1,960,863
Net Assets				
Invested in capital assets - Net of related debt	30,401,984	24,401,640	54,803,624	(6,447)
Restricted:				
Streets and highways	3,649,237	-	3,649,237	-
Debt service	620,131	-	620,131	-
Capital projects	3,719,665	-	3,719,665	-
Police drug confiscation monies	24,324	-	24,324	-
Incinerator improvements	152,324	-	152,324	-
911	61,725	-	61,725	-
Franchise peg fees	7,159	-	7,159	-
Refuse levy	237,115	-	237,115	-
Unrestricted	(11,515,685)	3,638,506	(7,877,179)	1,173,585
Total net assets	\$ 27,357,979	\$ 28,040,146	\$ 55,398,125	\$ 1,167,138

City of Garden City, Michigan

			Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
	Expenses	Charges for Services		
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,842,292	\$ 203,160	\$ -	\$ -
Public safety	8,735,479	580,009	27,202	-
Public works	4,103,143	489,641	1,674,650	-
Community maintenance, development, and other	1,518,181	392,014	294,569	692,794
Culture and recreation	1,134,094	517,204	149,218	-
District Court	670,748	626,939	47,049	-
Debt service	826,015	-	-	-
Total governmental activities	21,829,952	2,808,967	2,192,688	692,794
Business-type activities	5,969,525	7,712,686	-	-
Total primary government	<u>\$ 27,799,477</u>	<u>\$ 10,521,653</u>	<u>\$ 2,192,688</u>	<u>\$ 692,794</u>
Component unit - Downtown Development Authority	<u>\$ 513,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,759</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (4,639,132)	\$ -	\$ (4,639,132)	\$ -
(8,128,268)	-	(8,128,268)	-
(1,938,852)	-	(1,938,852)	-
(138,804)	-	(138,804)	-
(467,672)	-	(467,672)	-
3,240	-	3,240	-
(826,015)	-	(826,015)	-
(16,135,503)	-	(16,135,503)	-
-	1,743,161	1,743,161	-
(16,135,503)	1,743,161	(14,392,342)	-
-	-	-	(430,993)
13,261,925	-	13,261,925	492,532
3,236,170	-	3,236,170	-
710,983	12,725	723,708	33,426
346,672	-	346,672	-
287,319	-	287,319	-
(12,065)	12,065	-	-
17,831,004	24,790	17,855,794	525,958
1,695,501	1,767,951	3,463,452	94,965
25,662,478	26,272,195	51,934,673	1,072,173
\$ 27,357,979	\$ 28,040,146	\$ 55,398,125	\$ 1,167,138

City of Garden City, Michigan

Governmental Funds Balance Sheet June 30, 2008

	Major Funds		Nonmajor	Total
	General Fund	Major Streets Fund	Governmental Funds	Governmental Funds
Assets				
Cash and investments	\$ 1,742,639	\$ 2,606,784	\$ 5,613,805	\$ 9,963,228
Receivables - Net (Note 3)	467,004	-	669,410	1,136,414
Due from other funds (Note 5)	116,373	-	-	116,373
Due from other governmental units	1,025,440	196,509	78,365	1,300,314
Total assets	<u>\$ 3,351,456</u>	<u>\$ 2,803,293</u>	<u>\$ 6,361,580</u>	<u>\$ 12,516,329</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 191,046	\$ 167,496	\$ 366,042	\$ 724,584
Accrued and other liabilities	336,328	-	12,963	349,291
Due to other funds (Note 5)	285,977	-	116,373	402,350
Deferred revenue	265,544	-	630,487	896,031
Total liabilities	1,078,895	167,496	1,125,865	2,372,256
Fund Balances				
Reserved for:				
Capital project bond proceeds	-	-	175,383	175,383
Reserved for refuse	237,115	-	-	237,115
Unreserved, including designated portions reported in (Note 12):				
General Fund	2,035,446	-	-	2,035,446
Special Revenue Funds	-	2,635,797	1,472,374	4,108,171
Debt Service Funds	-	-	620,131	620,131
Capital Projects Funds	-	-	2,967,827	2,967,827
Total fund balances	2,272,561	2,635,797	5,235,715	10,144,073
Total liabilities and fund balances	<u>\$ 3,351,456</u>	<u>\$ 2,803,293</u>	<u>\$ 6,361,580</u>	<u>\$ 12,516,329</u>
Fund Balance - Total governmental funds				\$ 10,144,073
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				37,261,210
Investment in joint venture				275,695
Special assessment, grant receivables, and property tax are expected to be collected over several years and are not available				896,031
Long-term liabilities are not due and payable in the current period and are not reported in the funds				(20,389,226)
Long-term compensated absence liabilities and IBNR self-insurance claims are not due and payable in the current period and are not reported in the funds				(1,011,717)
Bond issuance costs				307,393
Allowance for delinquent personal property taxes not reported in the funds				(118,419)
Internal Service Funds are included as part of governmental activities				158,058
Accrued interest on long-term liabilities				(165,119)
Net Assets - Governmental activities				<u>\$ 27,357,979</u>

City of Garden City, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	Major Funds			Total
	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Governmental Funds
Revenue				
Property taxes	\$ 11,881,791	\$ -	\$ 1,157,412	\$ 13,039,203
Licenses and permits	49,059	-	444,031	493,090
Federal sources	33,901	-	176,716	210,617
State sources	4,315,406	1,199,465	497,267	6,012,138
Charges for services	947,127	-	79,163	1,026,290
21st District Court	597,861	-	-	597,861
Special assessments	-	-	84,294	84,294
Interest and other	1,395,688	104,057	560,799	2,060,544
Total revenue	19,220,833	1,303,522	2,999,682	23,524,037
Expenditures				
Current:				
General government	7,262,697	-	-	7,262,697
Public safety	7,078,208	-	-	7,078,208
Public service	2,368,044	-	-	2,368,044
Community maintenance, development, and other	-	675,070	2,020,203	2,695,273
Culture and recreation	735,457	-	-	735,457
Debt service	1,205,762	-	3,877,441	5,083,203
Total expenditures	18,650,168	675,070	5,897,644	25,222,882
Excess of Revenue Over (Under) Expenditures	570,665	628,452	(2,897,962)	(1,698,845)
Other Financing Sources (Uses)				
Operating transfers in	608,835	163,527	788,677	1,561,039
Operating transfers out	(539,629)	(299,866)	(733,609)	(1,573,104)
Total other financing sources (uses)	69,206	(136,339)	55,068	(12,065)
Net Change in Fund Balances	639,871	492,113	(2,842,894)	(1,710,910)
Fund Balances - Beginning of year	1,632,690	2,143,684	8,078,609	11,854,983
Fund Balances - End of year	<u>\$ 2,272,561</u>	<u>\$ 2,635,797</u>	<u>\$ 5,235,715</u>	<u>\$ 10,144,073</u>

City of Garden City, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (1,710,910)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	1,433,431
Governmental funds do not report depreciation as expenditures in the statement of activities because capital outlay is reported as an expenditure	(2,517,770)
Special assessment and grant revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	181,666
Proceeds from the sale of capital assets reported as revenue in the governmental funds; the statement of activities records a gain or loss, included in the sale of capital assets	(70,506)
Joint venture gain	83,334
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	4,160,352
Increase accrued interest expense	59,925
Bond issuance costs are not reported as other financing uses on the statement of activities because they are capitalized and amortized over the term of the bond	(34,905)
Change in personal property tax revenue	(39,958)
Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	63,407
Internal Service Funds are also included as governmental activities	87,435
Change in Net Assets of Governmental Activities	<u>\$ 1,695,501</u>

City of Garden City, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,117,988	\$ 222,600
Receivables - Net (Note 3)	3,061,199	-
Due from other funds (Note 5)	-	285,977
Prepaid costs and other assets	-	25,500
Total current assets	4,179,187	534,077
Noncurrent assets:		
Unamortized bond discount	174,219	-
Capital assets	35,670,291	-
Total noncurrent assets	35,844,510	-
Total assets	40,023,697	534,077
Liabilities		
Current liabilities:		
Accounts payable	520,401	1,647
Accrued and other liabilities	113,469	-
Current portion of long-term debt	1,106,484	-
Total current liabilities	1,740,354	1,647
Noncurrent liabilities - Long-term debt - Net of current portion	10,243,197	374,372
Total liabilities	11,983,551	376,019
Net Assets		
Investment in capital assets - Net of related debt	24,401,640	-
Unrestricted	3,638,506	158,058
Total net assets	<u>\$ 28,040,146</u>	<u>\$ 158,058</u>

City of Garden City, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Water and sewer services	\$ 7,191,330	\$ -
Water and sewer taps	30,900	-
Other operating revenue	490,456	-
Charges for services	-	460,896
	<hr/>	<hr/>
Total operating revenue	7,712,686	460,896
Operating Expenses		
Personal services	1,190,746	-
Supplies	144,733	-
Other services and charges	3,235,519	-
Depreciation and amortization	976,236	-
Claims expense	-	396,526
	<hr/>	<hr/>
Total operating expenses	5,547,234	396,526
	<hr/>	<hr/>
Operating Income	2,165,452	64,370
Nonoperating Revenue (Expense)		
Investment income	12,725	23,065
Interest expense	(422,291)	-
	<hr/>	<hr/>
Income - Before transfers	1,755,886	87,435
Transfers from Other Funds	12,065	-
	<hr/>	<hr/>
Change in Net Assets	1,767,951	87,435
Net Assets - Beginning of year	26,272,195	70,623
	<hr/>	<hr/>
Net Assets - End of year	\$ 28,040,146	\$ 158,058

City of Garden City, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 7,424,476	\$ 460,896
Payments to suppliers	(3,378,148)	-
Payments to employees	(1,237,765)	-
Claims paid	-	(266,361)
Net cash provided by operating activities	2,808,563	194,535
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	1,610,000	-
Principal and interest paid on long-term debt	(1,377,912)	-
Purchases of capital assets	(730,708)	-
Net cash used in capital and related financing activities	(498,620)	-
Cash Flows from Noncapital Financing Activities - Operating transfer and interfund loans	(1,204,680)	-
Cash Flows from Investing Activities - Interest received on investments	12,725	23,065
Net Increase in Cash and Cash Equivalents	1,117,988	217,600
Cash and Cash Equivalents - Beginning of year	-	5,000
Cash and Cash Equivalents - End of year	<u>\$ 1,117,988</u>	<u>\$ 222,600</u>
Balance Sheet Classification of Cash and Cash Equivalents -		
Cash and investments	<u>\$ 1,117,988</u>	<u>\$ 222,600</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 2,165,452	\$ 64,370
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	976,236	-
Changes in assets and liabilities:		
(Decrease) increase in receivables	(288,210)	220,038
Increase in prepaid costs and other assets	(1,397)	-
Increase in accounts payable	3,501	-
Decrease in accrued and other liabilities	(47,019)	(89,873)
Net cash provided by operating activities	<u>\$ 2,808,563</u>	<u>\$ 194,535</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2008, there were no noncash activities.

City of Garden City, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension Trust Fund - Employees' Retirement System	Agency Fund - General Agency
Assets		
Cash and cash equivalents	\$ 981,300	\$ 649,762
Investments at fair value:		
Real estate investment trust	79,550	-
Common stocks	20,038,780	-
Foreign bonds	1,196,672	-
Mutual funds	3,134,573	-
Pension manager short-term funds	28,633,744	-
Other receivable	225,028	-
Receivables - Accrued interest	127,781	-
Total assets	54,417,428	<u>\$ 649,762</u>
Liabilities		
Other liabilities	199	\$ 476,277
Due to other governmental units	-	173,485
Total liabilities	199	<u>\$ 649,762</u>
Net Assets - Held in trust for pension benefits	<u>\$ 54,417,229</u>	

City of Garden City, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2008

	<u>Pension and Other Employee Benefits</u>
Additions	
Contributions:	
Employer	\$ 1,251,620
Employee	<u>417,422</u>
Total contributions	1,669,042
Investment income:	
Interest and dividends	1,322,351
Less investment expenses	<u>(261,895)</u>
Net investment income	<u>1,060,456</u>
Total additions	2,729,498
Deductions	
Benefit payments	3,289,927
Net decrease in fair value of investments	5,693,570
Withdrawals and refunds	<u>246,619</u>
Total deductions	<u>9,230,116</u>
Net Decrease	(6,500,618)
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>60,917,847</u>
End of year	<u><u>\$ 54,417,229</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Garden City, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units - The City of Garden City Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

The City of Garden City Employees' Retirement System (the "System") has also been blended into the City's financial statements. The System is governed by a five-member pension board that includes three individuals chosen by the City Council. The System is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

Discretely Presented Component Unit - The City of Garden City Downtown Development Authority (DDA) is reported in the component unit column in the financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body, consisting of 11 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council.

Jointly Governed Organization - The City is a member of the Nankin Transit Commission, which provides transportation services to residents of Garden City, Westland, Canton, Wayne, and Inkster. In addition, the City is a member of the Central Wayne County Sanitation Authority, which provides incineration services to the residents of Garden City, Inkster, Dearborn Heights, Wayne, and Westland. See Note 9 for additional information.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City of Garden City Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City. The City of Garden City Hospital Finance Authority holds no assets and had no financial activity during the year.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become subject to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, special assessments, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City primarily on a cost-reimbursement basis.

Note 1 - Summary of Significant Accounting Policies (Continued)

Employees' Retirement System - The Employees' Retirement System accounts for the activities of the employees' retirement system, which accumulates resources for pension benefit payments to qualified employees.

General Agency Fund - The General Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. The General Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The City manages and accounts for cash and cash equivalents via an internal pooled cash management technique whereby all cash and cash equivalents of the City are consolidated.

Accounting procedures are structured to maintain segregated totals for each fund. Those totals are reflected in each fund as "cash and cash equivalents."

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowances for uncollectible amounts.

Property Taxes - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2007 taxable value of the City totaled \$717 million, on which ad valorem taxes levied consisted of 13.8403 mills for the City's operating purposes, 2.7793 mills for refuse collection, and 1.6053 mills for judgment debt. The ad valorem taxes levied raised \$9.9 million for operation, \$2 million for refuse collection, and \$1.2 million for the judgment debt.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	9 to 30 years
Water and sewer distribution systems	50 to 100 years
Drain separation project	40 to 50 years
Buildings and improvements	50 years
Vehicles and equipment	3 to 5 years
Meters	15 years
Office furnishings	5 to 7 years
Machinery and equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

The investment policy adopted by the City Council in accordance with Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes deposits and investments in bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, certificates of deposits, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2) of the state statute (depository of surplus funds belonging to the State or United States), commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase, United States government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, obligations of the State or any of its political subdivisions that rate as investment grade by not less than one standard rating service and purchased through an interlocal agreement under the Urban Cooperations Act of 1967, investment pools organized under the Local Government Investment Pool Act of 1985, and investment pools organized under the Surplus Funds Investment Pools Act of 1982.

The City's investment policy further restricts certificates of deposit, savings accounts, deposit accounts, or depository receipts by requiring these investments to be from a bank with a corporate headquarters or branches located in the state of Michigan. The City's policy restricts repurchase agreements to being negotiated only with dealers or financial institutions with whom the unit has negotiated a master repurchase agreement or with the City of Garden City, Michigan's primary bank. In addition, repurchase agreements must be signed with the bank or dealer and must contain provisions similar to those outlined in the Public Security Association's model master repurchase agreement, and collateralization shall be required on all repurchase agreements at a level of 102 percent of market value of principal and accrued interest. The City's policy states that investments in commercial paper shall be no more than 50 percent of the entire portfolio and that commercial paper held in the portfolio which subsequently receives a reduced rating lower than the top two shall be closely monitored and sold immediately if the principal invested may otherwise be jeopardized. In addition, to the extent possible, the investing officer will attempt to match investments with anticipated cash flow requirements and unless matched to a specific cash flow requirement, the City of Garden City, Michigan will not directly invest in securities maturing more than five years from the date of purchase.

Note 2 - Deposits and Investments (Continued)

The City's policy further indicates that no more than 40 percent of the City's total investment portfolio as of June 30 of the preceding year shall be placed in securities maturing in more than three years and investments will be diversified by security type and institution. With the exception of U.S. Treasury securities and the City's primary bank, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution.

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated 13 banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all of the items described above, except for repurchase agreements and obligations of the State of Michigan or its political subdivisions. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City had \$ 8,646,953 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, none of the City's investments were subject to custodian credit risk due to one of the following:

- Investments were part of an insured pool.
- Investments were book-entry only in the name of the City and were fully insured.
- Investments were part of a mutual fund.
- Investments were held by an agent in the City's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity and, unless matched to a specific cash flow requirement, the City cannot directly invest in securities maturing more than five years from the date of purchase and no more than 40 percent of the City's total investment portfolio can be placed in securities maturing in more than three years. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Government-wide - Commercial paper	\$ 2,990,132	38 days

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City requires two nationally recognized statistical rating organizations to have a rating of the commercial paper in the top two rating categories. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Government-wide:			
Money market	\$ 1,721,657	AAA	Moody's
Money market	52,923	A1	S&P
Commercial paper	2,990,132	A2	S&P
Employees' retirement system -			
Mutual funds	\$ 23,099,805	Not rated	

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency-denominated investments to 14 percent of total pension system investments. The following securities are subject to a foreign currency risk:

Security	Foreign Currency Denomination	Fair Value
Employees' retirement system:		
Foreign stocks	CZK	\$ 135,582
Foreign stocks	EUR	2,108,431
Foreign stocks	NOK	97,397
Foreign stocks	CHF	216,377
Foreign stocks	JPY	800,208
Foreign stocks	GBP	1,289,408
Foreign stocks	AUD	192,027
Foreign stocks	CNY	70,834
Foreign stocks	HKD	175,979
Foreign stocks	SGD	91,310
Foreign stocks	BRL	76,368

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Receivables

Receivables as of year end for the City's individual major fund and the nonmajor funds are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Special assessment	\$ -	\$ 576,453	\$ 576,453
Property taxes and other	467,004	92,958	559,962
Net receivables	<u>\$ 467,004</u>	<u>\$ 669,411</u>	<u>\$ 1,136,415</u>

Receivables as of year end for the City's governmental activities, business-type activities, and component unit activities, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Component Unit
Receivables:			
Receivable from operations	\$ -	\$ 3,061,199	\$ -
Special assessment	576,453	-	387,810
Property taxes and other	559,961	-	-
Allowance for doubtful accounts	(118,419)	-	-
Net receivables	<u>\$ 1,017,995</u>	<u>\$ 3,061,199</u>	<u>\$ 387,810</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
Special assessments	\$ 576,455
Property taxes not received within 60 days	265,544
Grant reimbursements not available in the current period	54,032
Total	<u>\$ 896,031</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,414,961	\$ -	\$ -	\$ 1,414,961
Construction in progress	-	966,234	-	966,234
Subtotal	1,414,961	966,234	-	2,381,195
Capital assets being depreciated:				
Roads and sidewalks	90,430,793	296,687	-	90,727,480
Buildings and improvements	7,605,250	-	(600,000)	7,005,250
Vehicles and equipment	12,176,073	170,510	(83,489)	12,263,094
Subtotal	110,212,116	467,197	(683,489)	109,995,824
Total capital assets	111,627,077	1,433,431	(683,489)	112,377,019
Accumulated depreciation:				
Roads and sidewalks	58,863,477	2,107,841	-	60,971,318
Buildings and improvements	3,396,789	120,334	(529,495)	2,987,628
Vehicles and equipment	10,950,757	289,595	(83,489)	11,156,863
Subtotal	73,211,023	2,517,770	(612,984)	75,115,809
Net capital assets	\$ 38,416,054	\$ (1,084,339)	\$ (70,505)	\$ 37,261,210

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Business-type Activities				
Capital assets being depreciated:				
Water and sewer distribution systems	\$ 13,060,382	\$ 720,399	\$ -	\$ 13,780,781
Drain separation project	28,122,982	-	-	28,122,982
Vehicles	1,053,502	-	-	1,053,502
Meters	2,570,110	10,309	-	2,580,419
Office furnishings	44,841	-	-	44,841
Machinery and equipment	739,801	-	-	739,801
Subtotal	45,591,618	730,708	-	46,322,326
Accumulated depreciation:				
Water and sewer distribution systems	3,548,147	136,977	-	3,685,124
Drain separation project	4,499,678	562,460	-	5,062,138
Vehicles	844,583	37,429	-	882,012
Meters	316,830	128,641	-	445,471
Office furnishings	33,832	2,825	-	36,657
Machinery and equipment	502,591	38,042	-	540,633
Subtotal	9,745,661	906,374	-	10,652,035
Net capital assets	<u>\$ 35,845,957</u>	<u>\$ (175,666)</u>	<u>\$ -</u>	<u>\$ 35,670,291</u>

Capital asset activity of the City's component unit activity was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Component Unit				
Capital assets being depreciated:				
Land improvements	\$ 2,460,400	\$ -	\$ -	\$ 2,460,400
Equipment	97,271	-	-	97,271
Subtotal	2,557,671	-	-	2,557,671
Accumulated depreciation:				
Land improvements	492,672	49,622	-	542,294
Equipment	80,537	12,111	-	92,648
Subtotal	573,209	61,733	-	634,942
Net capital assets	<u>\$ 1,984,462</u>	<u>\$ (61,733)</u>	<u>\$ -</u>	<u>\$ 1,922,729</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 90,043
Public safety	201,628
Public works	2,172,356
Recreation and culture	<u>53,743</u>
Total governmental activities	<u>\$ 2,517,770</u>

Construction Commitments - The City is currently replacing older water meters. The City has spent approximately \$1,978,000 toward the meter replacement project to date and has a remaining commitment of approximately \$125,000.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	<u>\$ 116,373</u>
Internal Service Fund	General Fund	<u>\$ 285,977</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Library Fund	(1) \$ 236,690
	Capital Projects Fund	(2) 151,000
	Building department	(3) 101,121
	Water and Sewer Fund	(4) 12,065
	Major Streets Fund	(4) <u>38,753</u>
	Total General Fund	539,629
Major Streets Fund	Local Streets Fund	(5) 299,866
Nonmajor governmental funds	General Fund	(4) 608,835
Nonmajor governmental funds	Major Streets Fund	(4) <u>124,774</u>
	Total	<u>\$ 1,573,104</u>

(1) Transfer for library expenditures

(2) Transfer to fund capital asset projects

(3) Transfer in order to establish separate fund for building department

(4) Transfer of discretionary funds to be used for the benefit of the community

(5) Transfer of Act 51 money to fund Local Streets Fund projects

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	Interest Rate Range	Maturity Date	Original Maturity	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities									
General obligation - 2004 Limited Tax Refunding Bonds	3.75% - 4.50%	2015	\$ 3,385,000	\$235,000 - \$310,000	\$ 2,375,000	\$ -	\$ 415,000	\$ 1,960,000	\$ 235,000
1993 Special Assessment bonds with government commitments	5.25%	2008	190,000	-	20,000	-	20,000	-	-
1997 Special Assessment bonds with government commitments	4.75% - 5.00%	2008	4,470,750	-	1,935,000	-	1,935,000	-	-
2001 Sewage Disposal System Refunding Bonds	4.20% - 4.80%	2016	2,821,700	\$216,000 - \$264,000	2,103,076	-	227,518	1,875,558	224,601
2004 General Obligation Limited Tax Refunding Bonds	2.75% - 4.20%	2022	1,090,000	\$2,000 - \$116,000	1,065,735	-	72,720	993,015	81,810
2005 General Obligation Limited Tax Refunding Bonds	3.50% - 5.00%	2018	2,305,000	\$160,000- \$240,000	2,155,000	-	180,000	1,975,000	180,000
2005 General Obligation Limited Tax	3.50% - 4.00%	2020	7,500,000	\$400,000 - \$800,000	7,400,000	-	300,000	7,100,000	400,000
2006 General Obligation Limited Tax	3.50% - 4.00%	2020	7,480,000	\$130,000 - \$800,000	7,405,000	-	975,000	6,430,000	400,000
Installment note	5.12%	2010	350,000	\$18,959- \$36,693	90,767	-	35,114	55,653	36,693
Total governmental activities					\$ 24,549,578	\$ -	\$ 4,160,352	\$ 20,389,226	\$ 1,558,104
Self-insurance claims					\$ 434,256	\$ -	\$ 59,884	\$ 374,372	\$ -
Compensated absences					1,075,124	-	63,407	1,011,717	404,112
Total compensated absences and other					\$ 1,509,380	\$ -	\$ 123,291	\$ 1,386,089	\$ 404,112

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

	Interest Rate Range	Maturity Date	Original Maturity	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities									
1998 Development Bonds (limited tax general obligation)	4.40%- 5.00%	2019	\$ 540,000	\$26,865 - \$45,000	\$ 447,592	\$ -	\$ 26,861	\$ 420,731	\$ 26,865
2001 Sewage Disposal System Refunding Bonds	4.20%- 4.80%	2016	6,908,300	\$524,000 - \$641,000	5,106,927	-	552,483	4,554,444	545,399
State Revolving Fund Debt	2.00% - 2.25%	2016	2,435,000	\$125,000 - \$155,000	984,933	-	125,000	859,933	130,000
2004 General Obligation Limited Tax Refunding Bonds	2.75% - 4.20%	2022	4,295,000	\$8,000 - \$459,000	4,199,265	-	287,280	3,911,985	323,190
2008 General Obligation Limited Tax	3.50% - 4.50%	2028	1,610,000	\$25,000 - \$125,000	-	1,610,000	-	1,610,000	-
Less deferred charges on refunding					(106,130)	-	(17,688)	(88,442)	-
Total business-type activities					\$ 10,632,587	\$ 1,610,000	\$ 973,936	\$ 11,268,651	\$ 1,025,454
Compensated absences					\$ 65,388	\$ 15,642	\$ -	\$ 81,030	\$ 81,030
Component Unit - 1998 Development Bonds									
	4.40% - 5.00%	2019	\$ 2,460,000	\$123,135 - \$205,000	\$ 2,052,312	\$ -	\$ 123,136	\$ 1,929,176	\$ 123,135

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,558,104	\$ 793,586	\$ 2,351,690	\$ 1,007,605	\$ 446,518	\$ 1,454,123	\$ 123,135	\$ 90,463	\$ 213,598
2010	1,589,234	735,720	2,324,954	1,063,902	402,810	1,466,712	123,135	84,982	208,117
2011	1,597,859	675,693	2,273,552	1,185,272	358,151	1,543,423	164,180	78,437	242,617
2012	1,744,654	616,284	2,360,938	1,128,477	311,054	1,439,531	164,180	70,803	234,983
2013	1,863,886	547,947	2,411,833	1,199,249	264,068	1,463,317	164,180	63,004	227,184
2014-2018	9,299,264	1,603,249	10,902,513	3,785,596	664,595	4,450,191	985,080	178,115	1,163,195
2019-2023	2,736,225	154,866	2,891,091	1,323,550	245,903	1,569,453	205,286	5,131	210,417
2024-2028	-	-	-	575,000	67,938	642,938	-	-	-
Total	\$ 20,389,226	\$ 5,127,345	\$ 25,516,571	\$ 11,268,651	\$ 2,761,037	\$ 14,029,688	\$ 1,929,176	\$ 570,935	\$ 2,500,111

Total interest related to governmental and business-type activities for the year approximated \$786,000 and \$422,000, respectively. Total interest incurred related to component units for the year approximated \$95,000.

Note 6 - Long-term Debt (Continued)

No Commitment Debt

Excluded from long-term debt are revenue bonds issued by the Garden City Hospital Financing Authority to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of the balance sheet date, there were two series of such bonds outstanding, with total principal outstanding of approximately \$56,380,000. Information regarding the status of the bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$3,650,000 of bonds outstanding are considered defeased.

During the current year, the City partially defeased \$675,000 of the outstanding 2006 Unlimited Tax General Obligation bonds with an interest rate of 4 percent. The defeasance will decrease total debt service payments over the next 13 years by approximately \$351,000, which represents an economic gain of approximately \$282,000.

Also, during the current year, the City defeased \$1,935,000 of the outstanding 1997 Special Assessment Bonds with interest rates ranging from 4.75 percent to 5.00 percent. The defeasance will decrease total debt service payments over the next eight years by approximately \$394,000, which represents an economic gain of approximately \$351,000.

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Risk Management Authority for claims relating to general liabilities; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	Workers' Compensation	Total
(Overpaid) unpaid claims - Beginning of year	\$ (68,374)	\$ 502,630	\$ 434,256
Estimated claims incurred, including changes in estimates	269,922	192,122	462,044
Deposits at the Authority to fund claims	(356,156)	-	(356,156)
Claim payments	<u>126,876</u>	<u>(292,648)</u>	<u>(165,772)</u>
(Overpaid) unpaid claims - End of year	<u>\$ (27,732)</u>	<u>\$ 402,104</u>	<u>\$ 374,372</u>

Note 8 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description

The City's Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City's Employees' Retirement System; this plan covers substantially all employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2007, the date of the most recent actuarial valuation, membership consisted of 150 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 127 current active employees. The plan does not issue a separate financial report.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 6 percent for POAM and COAM members and 5 percent for all other members. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost of \$1,251,620 for the plan was equal to the City's required and actual contribution.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 808,692	\$ 1,157,227	\$ 1,251,620
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 92.5 percent funded. The actuarial accrued liability for benefits was \$63,885,385, and the actuarial value of assets was \$59,093,315, resulting in an unfunded actuarial accrued liability of \$4,792,070. The covered payroll (annual payroll for active employees covered by the plan) was \$6,661,433, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 71.9 percent.

Note 8 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was determined as part of an actuarial valuation at June 30, 2007, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.4 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll basis. The remaining amortization period is 10 years.

Reserves

As of June 30, 2008, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions (pension savings)	\$ 4,250,102
Reserve for retired benefit payments (pension reserve)	42,295,609

Municipal Employees' Retirement System of Michigan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers 21st District Court employees of the City. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48197.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Court's competitive bargaining unit and requires no contribution from the employees.

Note 8 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Annual Pension Costs - The 21st District Court employees joined MERS effective January 1, 2007. For the year ended June 30, 2008, the City's annual pension cost of \$46,343 for the plan was equal to the City's required and actual contribution.

Note 9 - Joint Ventures

The City is a member of the Nankin Transit Commission, which provides transportation services to residents of Garden City, Westland, Canton, Wayne, and Inkster. The participating communities provide annual funding for its operations. During the current year, the City contributed \$34,000 for its operations. The City has no material equity interest in the Nankin Transit Commission at June 30, 2008. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Nankin Transit Commission can be obtained from the administrative offices at 37137 Marquette, Westland, Michigan 48185.

The City is also a member of the Central Wayne County Sanitation Authority (the "Sanitation Authority"). The City appoints one member to the joint venture's governing board, which approves the annual budget. The debt of the joint venture, including the postclosure costs, is being financed by operations and member millage. The postclosure liability will be funded over the next 30 years as the costs come due. During the current year, the Sanitation Authority's combined net assets increased by approximately \$620,000. As a result, the Sanitation Authority has net assets of approximately \$2,089,000 as of June 30, 2008.

The City contributed \$458,499 for sanitation costs passed through the Sanitation Authority. In addition, the City recorded an asset related to the Sanitation Authority of \$275,695 in the government-wide statement of net assets. Complete financial statements for the Sanitation Authority can be obtained from the administrative offices at 4901 South Inkster Road, Dearborn Heights, Michigan 48125.

Note 10 - Other Postemployment Benefits

The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 149 retirees are eligible. The City includes pre-Medicare retirees and their spouses in its insured healthcare plan, with no contribution required by 77 of the participants in accordance with various union contracts. Of the remaining retirees, 45 are making partial contributions for healthcare benefits and 27 are receiving no healthcare benefits. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. During the year, approximately \$1,727,000 for postemployment healthcare benefits was paid and recorded as an expenditure by the General Fund.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 11 - Contingencies

The Michigan Department of Environmental Quality (MDEQ) is currently requiring the City to upgrade its sewer system in order to meet certain mandated federal requirements on water purity. Based on the parameters communicated by MDEQ, the City engineers have estimated the cost to the City for this upgrade to be approximately \$40 million. The County of Wayne is currently working on a regional approach for all Wayne County communities with similar requirements, which City management believes will significantly reduce the cost of the sewer system upgrade.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2008

Note 12 - Designated Fund Balance

A portion of the unreserved fund balances has been designated for the following purposes:

	General Fund	Major Streets Fund	Local Streets Fund	Police Drug Confiscation	Downtown Development Authority	Library
Designated for subsequent years' expenditures	\$ 500,000	\$ 227,350	\$ 95,843	\$ 10,000	\$ 598,417	\$ 23,000

Note 13 - Subsequent Events

Declines in Investment Values - Subsequent to year end, the City's Pension Trust Fund investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Required Supplemental Information

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 1,632,690	\$ 1,632,690	\$ 1,632,690	\$ -
Resources (Inflows)				
Property taxes	12,380,566	12,380,566	11,881,791	(498,775)
Licenses and permits:				
Business	20,000	20,000	34,362	14,362
Nonbusiness	16,000	16,000	14,697	(1,303)
Total licenses and permits	36,000	36,000	49,059	13,059
Federal sources	-	-	33,901	33,901
State sources	4,156,886	4,156,886	4,315,406	158,520
Charges for services	858,240	858,240	947,127	88,887
21st District Court	545,000	545,000	597,861	52,861
Interest and other:				
Interest and miscellaneous income	980,000	947,000	1,118,009	171,009
Charges to Enterprise Fund	230,000	230,000	247,179	17,179
Charges to 911 Fund, Retiree Health Care, and DDA	657,335	657,335	639,335	(18,000)
Total interest and other	1,867,335	1,834,335	2,004,523	170,188
Total resources (inflows)	21,476,717	21,443,717	21,462,358	18,641
Charges to Appropriations (Outflows)				
General government:				
Mayor and Council	48,668	48,668	50,291	(1,623)
21st District Court	709,791	709,791	670,748	39,043
City administration	394,862	394,862	419,629	(24,767)
City clerk/treasurer	955,953	955,953	874,765	81,188
General office	6,114,684	6,114,684	5,185,595	929,089
Boards and commissions	84,040	84,040	61,669	22,371
Total general government	8,307,998	8,307,998	7,262,697	1,045,301
Public safety:				
Police department	4,639,588	4,639,588	4,764,691	(125,103)
Fire department	2,498,152	2,498,152	2,313,517	184,635
Total public safety	7,137,740	7,137,740	7,078,208	59,532
Public service - Department of public service	2,147,418	2,147,418	2,368,044	(220,626)
Culture and recreation - Parks and recreation	725,085	725,085	735,457	(10,372)
Debt	1,205,888	1,205,888	1,205,762	126
Transfers to other funds	488,811	488,811	539,629	(50,818)
Total charges to appropriations (outflows)	20,012,940	20,012,940	19,189,797	823,143
Fund Balance - End of year	\$ 1,463,777	\$ 1,430,777	\$ 2,272,561	\$ 841,784

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Streets Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 2,143,684	\$ 2,143,684	\$ 2,143,684	\$ -
Resources (Inflows)				
State sources	1,094,295	1,094,295	1,199,465	105,170
Interest and other	30,000	30,000	104,057	74,057
Transfers from other funds	-	-	163,527	163,527
Total resources (inflows)	3,267,979	3,267,979	3,610,733	342,754
Charges to Appropriations (Outflows)				
Community maintenance, development, and other	910,500	910,500	675,070	235,430
Transfers to other funds	305,580	305,580	299,866	5,714
Total charges to appropriations (outflows)	1,216,080	1,216,080	974,936	241,144
Fund Balance - End of year	\$ 2,051,899	\$ 2,051,899	\$ 2,635,797	\$ 583,898

City of Garden City, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2008

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/02	\$ 64,200,000	\$ 50,900,000	\$ (13,300,000)	126	\$ 7,300,000	182
6/30/03	61,200,000	54,000,000	(7,200,000)	113	7,400,000	97
6/30/04	60,500,000	57,800,000	(2,700,000)	105	6,600,000	41
6/30/05	59,700,000	61,100,000	1,400,000	98	7,000,000	20
6/30/06	58,500,000	62,200,000	3,700,000	94	7,000,000	53
6/30/07	59,093,315	63,885,385	4,792,070	93	6,700,000	72

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
2003	\$ -	100.0
2004	-	100.0
2005	257,342	100.0
2006	808,692	100.0
2007	1,157,227	100.0
2008	1,251,620	100.0

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2007, the latest actuarial valuation date, is as follows:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market 80%/120% corridor
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.5% - 12.4%
*Includes inflation at	4.5%
Postemployment cost of living adjustments	2%

City of Garden City, Michigan

Note to Required Supplemental Information

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds with the following exceptions:

- Some operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.
- Financing obtained to purchase fixed asset additions have been treated as a reduction of expenditures, rather than proceeds from debt issuance.

The budget statements are presented on the same basis of accounting used in preparing the adopted budget. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the first day of April, the city manager must submit a budget for the ensuing fiscal year to the City Council at a regular council meeting.
- Public hearings are conducted to obtain citizen comment.
- The budget must be adopted by ordinance on or before the twentieth day of May of the fiscal year currently ending.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Fund budget as adopted by the City Council is included in required supplemental information. This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds’ budgets as adopted by the City Council is available at the clerk’s office for inspection.

City of Garden City, Michigan

Note to Required Supplemental Information

Note - Budgetary Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were significantly in excess of the amounts budgeted in the General Fund, is as follows:

	Budget	Actual	Variance
City administration	\$ 394,862	\$ 419,629	\$ (24,767)
Police department	4,639,588	4,764,691	(125,103)
Public service - Department of public service	2,147,418	2,368,044	(220,626)
Transfers to other funds	488,811	539,629	(50,818)

Fund Deficits - The City has a deficit in the Maplewood Road Fund at June 30, 2008 due to revenue that will not be received within 60 days of year end. The receivable for these monies was recorded along with the corresponding deferred revenue at June 30, 2008. The receivable in the Maplewood Road Fund will be collected over several years as part of a special assessment.

The City also has a deficit in the Community Development Block Grant Fund (CDBG Fund). Of the \$54,032 in receivables, it has been noted only \$9,363 is collectible. The General Fund will transfer an amount to the CDBG Fund subsequent to year end to eliminate the deficit.

Other Supplemental Information

City of Garden City, Michigan

Accounting System Fund Number	Special Revenue Funds						
	203	790	233	248	296	282	249
	Local Streets	Library	911	Community Development Block Grant	Rehabilitation Revolving	Incinerator Improvements	Building Department
Assets							
Cash and investments	\$ 1,232,262	\$ 74,088	\$ 43,296	\$ 54,518	\$ 5,731	\$ 143,439	\$ 25,363
Receivables - Net	-	-	18,429	54,032	-	8,885	-
Due from other governmental units	77,865	500	-	-	-	-	-
Total assets	<u>\$ 1,310,127</u>	<u>\$ 74,588</u>	<u>\$ 61,725</u>	<u>\$ 108,550</u>	<u>\$ 5,731</u>	<u>\$ 152,324</u>	<u>\$ 25,363</u>
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	\$ 296,687	\$ 1,364	\$ -	\$ -	\$ 4,530	\$ -	\$ 1,431
Accrued and other liabilities	-	6,074	-	-	-	-	6,889
Due to other funds	-	-	-	116,373	-	-	-
Deferred revenue	-	-	-	54,032	-	-	-
Total liabilities	296,687	7,438	-	170,405	4,530	-	8,320
Fund Balances (Deficit)							
Reserved	-	-	-	-	-	-	-
Unreserved	1,013,440	67,150	61,725	(61,855)	1,201	152,324	17,043
Total fund balances (deficit)	1,013,440	67,150	61,725	(61,855)	1,201	152,324	17,043
Total liabilities and fund balances (deficit)	<u>\$ 1,310,127</u>	<u>\$ 74,588</u>	<u>\$ 61,725</u>	<u>\$ 108,550</u>	<u>\$ 5,731</u>	<u>\$ 152,324</u>	<u>\$ 25,363</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Special Revenue Funds			Debt Service Funds				
264	235	736	803	808	817	821	826
Police Drug Confiscation	Franchise Peg Fees	Retiree Health Care	Mid-Garden Road Improvements	Sidewalk Program #2	Mid-Lathers Road Improvements	North Mid- Lathers Road Improvements	North Garden Road Improvements
\$ 24,324	\$ -	\$ 189,863	\$ 64,596	\$ 1,012	\$ 18,419	\$ 75,299	\$ 38,579
-	7,476	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 24,324	\$ 7,476	\$ 189,863	\$ 64,596	\$ 1,012	\$ 18,419	\$ 75,299	\$ 38,579
\$ -	\$ 317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	317	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,324	7,159	189,863	64,596	1,012	18,419	75,299	38,579
24,324	7,159	189,863	64,596	1,012	18,419	75,299	38,579
\$ 24,324	\$ 7,476	\$ 189,863	\$ 64,596	\$ 1,012	\$ 18,419	\$ 75,299	\$ 38,579

City of Garden City, Michigan

Accounting System Fund Number	Debt Service Funds				Capital Projects Funds		
	825	820	301	811	401	807 and 830	827 and 828
	South Lather Sewer Construction	Northwest Perrin	Debt Retirement	Sidewalk Program #5a-6b	Capital Projects	Sidewalk Sec- I	South Venoy
Assets							
Cash and investments	\$ 284,813	\$ 26,637	\$ 96,372	\$ 10,269	\$ 90,829	\$ 35,696	\$ 17,675
Receivables - Net	-	-	4,135	-	-	-	11,592
Due from other governmental units	-	-	-	-	-	-	-
Total assets	<u>\$ 284,813</u>	<u>\$ 26,637</u>	<u>\$ 100,507</u>	<u>\$ 10,269</u>	<u>\$ 90,829</u>	<u>\$ 35,696</u>	<u>\$ 29,267</u>
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,135	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	11,592
Total liabilities	-	-	-	-	2,135	-	11,592
Fund Balances (Deficit)							
Reserved	-	-	-	-	-	-	-
Unreserved	284,813	26,637	100,507	10,269	88,694	35,696	17,675
Total fund balances (deficit)	<u>284,813</u>	<u>26,637</u>	<u>100,507</u>	<u>10,269</u>	<u>88,694</u>	<u>35,696</u>	<u>17,675</u>
Total liabilities and fund balances (deficit)	<u>\$ 284,813</u>	<u>\$ 26,637</u>	<u>\$ 100,507</u>	<u>\$ 10,269</u>	<u>\$ 90,829</u>	<u>\$ 35,696</u>	<u>\$ 29,267</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2008**

Capital Projects Funds								
832	843	436	833	834	835	836	837	840
Whitby Road Improvements	4203 Brandt Avenue Drain	District Court Building Fund	Burnly Paving	Chester Road Improvement	Mid-Town Drainage	Mid-Town West Paving	Mid-Town East Paving	Mid-Town Concrete
\$ 115	\$ 240	\$ 106,613	\$ 11,744	\$ 163	\$ 729,498	\$ 1,043,256	\$ 664,525	\$ 621
151	261	-	1,323	422	204,878	110,908	103,701	163
-	-	-	-	-	-	-	-	-
\$ 266	\$ 501	\$ 106,613	\$ 13,067	\$ 585	\$ 934,376	\$ 1,154,164	\$ 768,226	\$ 784
\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
151	261	-	1,323	422	204,878	110,908	103,701	163
151	261	-	1,323	422	204,878	110,908	103,701	163
-	-	-	-	-	-	-	-	-
115	240	106,613	11,744	163	729,498	1,043,256	664,525	621
115	240	106,613	11,744	163	729,498	1,043,256	664,525	621
\$ 266	\$ 501	\$ 106,613	\$ 13,067	\$ 585	\$ 934,376	\$ 1,154,164	\$ 768,226	\$ 784

City of Garden City, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds June 30, 2008

	Capital Projects Funds							Total Nonmajor Governmental Funds
	841	844	845	896	850	851	852	
	Central Perrin	Sidewalk 2a	4206 Pardo- Hartel	Special Assessment Bond Fund	Birchclawn and Beechwood Paving	John Hawk South Lathers Reconstruction	Maplewood Road	
Assets								
Cash and investments	\$ 94,526	\$ 92,268	\$ 6,360	\$ 175,383	\$ 18,595	\$ 116,818	\$ -	\$ 5,613,805
Receivables - Net	35,880	1,012	15,967	-	-	19,578	70,617	669,410
Due from other governmental units	-	-	-	-	-	-	-	78,365
Total assets	<u>\$ 130,406</u>	<u>\$ 93,280</u>	<u>\$ 22,327</u>	<u>\$ 175,383</u>	<u>\$ 18,595</u>	<u>\$ 136,396</u>	<u>\$ 70,617</u>	<u>\$ 6,361,580</u>
Liabilities and Fund Balances (Deficit)								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,578	\$ 366,042
Accrued and other liabilities	-	-	-	-	-	-	-	12,963
Due to other funds	-	-	-	-	-	-	-	116,373
Deferred revenue	35,882	1,012	15,966	-	-	19,579	70,617	630,487
Total liabilities	35,882	1,012	15,966	-	-	19,579	130,195	1,125,865
Fund Balances (Deficit)								
Reserved	-	-	-	175,383	-	-	-	175,383
Unreserved	94,524	92,268	6,361	-	18,595	116,817	(59,578)	5,060,332
Total fund balances (deficit)	94,524	92,268	6,361	175,383	18,595	116,817	(59,578)	5,235,715
Total liabilities and fund balances (deficit)	<u>\$ 130,406</u>	<u>\$ 93,280</u>	<u>\$ 22,327</u>	<u>\$ 175,383</u>	<u>\$ 18,595</u>	<u>\$ 136,396</u>	<u>\$ 70,617</u>	<u>\$ 6,361,580</u>

City of Garden City, Michigan

Accounting System Fund Number	Special Revenue Funds						
	203	790	233	248	296	282	249
	Local Streets	Library	911	Community Development Block Grant	Rehabilitation Revolving	Incinerator Improvements	Building Department
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459	\$ -
Federal sources	-	-	-	171,617	5,099	-	-
State sources	475,185	22,082	-	-	-	-	-
Charges for services	79,163	-	-	-	-	-	444,031
Special assessments	-	-	-	-	-	-	-
Interest and other	46,872	46,330	137,006	-	-	5,288	830
Total revenue	601,220	68,412	137,006	171,617	5,099	5,747	444,861
Expenditures							
Community maintenance, development, and other	873,604	261,241	5,283	130,537	13,609	-	528,977
Debt service	-	-	-	-	-	-	-
Total expenditures	873,604	261,241	5,283	130,537	13,609	-	528,977
Excess of Revenue Over (Under) Expenditures	(272,384)	(192,829)	131,723	41,080	(8,510)	5,747	(84,116)
Other Financing Sources (Uses)							
Transfers in	299,866	236,690	-	-	-	-	101,121
Transfers out	-	-	(152,000)	-	-	-	-
Total other financing sources (uses)	299,866	236,690	(152,000)	-	-	-	101,121
Net Change in Fund Balances	27,482	43,861	(20,277)	41,080	(8,510)	5,747	17,005
Fund Balances (Deficit) - Beginning of year	985,958	23,289	82,002	(102,935)	9,711	146,577	38
Fund Balances (Deficit) - End of year	<u>\$ 1,013,440</u>	<u>\$ 67,150</u>	<u>\$ 61,725</u>	<u>\$ (61,855)</u>	<u>\$ 1,201</u>	<u>\$ 152,324</u>	<u>\$ 17,043</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended June 30, 2008

Special Revenue Funds			Debt Service Funds				
264	235	736	803	808	817	821	826
Police Drug Confiscation	Franchise Peg Fees	Retiree Health Care	Mid-Garden Road Improvements	Sidewalk Program #2	Mid-Lathers Road Improvements	North Mid-Lathers Road Improvements	North Garden Road Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	104	159
14,413	39,027	17,257	2,838	1,380	808	3,308	1,729
14,413	39,027	17,257	2,838	1,380	808	3,412	1,888
10,838	58,497	-	-	32,385	-	-	-
-	-	-	-	-	-	-	8,578
10,838	58,497	-	-	32,385	-	-	8,578
3,575	(19,470)	17,257	2,838	(31,005)	808	3,412	(6,690)
-	-	-	-	-	-	-	-
-	-	(456,835)	-	-	-	-	-
-	-	(456,835)	-	-	-	-	-
3,575	(19,470)	(439,578)	2,838	(31,005)	808	3,412	(6,690)
20,749	26,629	629,441	61,758	32,017	17,611	71,887	45,269
\$ 24,324	\$ 7,159	\$ 189,863	\$ 64,596	\$ 1,012	\$ 18,419	\$ 75,299	\$ 38,579

City of Garden City, Michigan

Accounting System Fund Number	Debt Service Funds				Capital Projects Funds		
	825	820	301	811	401	807 and 830	827 and 828
	South Lather Sewer			Sidewalk Program #5a-6b	Capital Projects		Sidewalk Sec-I
	Construction	Northwest Perrin	Debt Retirement				South Venoy
Revenue							
Property taxes	\$ -	\$ -	\$ 1,156,953	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Special assessments	140	1,253	-	-	-	-	-
Interest and other	12,426	1,183	23,417	563	2,940	33,954	6,941
Total revenue	12,566	2,436	1,180,370	563	2,940	33,954	6,941
Expenditures							
Current - Community maintenance, development, and other	-	-	-	-	105,159	-	-
Debt service	-	7,127	1,836,116	5,082	-	-	-
Total expenditures	-	7,127	1,836,116	5,082	105,159	-	-
Excess of Revenue Over (Under) Expenditures	12,566	(4,691)	(655,746)	(4,519)	(102,219)	33,954	6,941
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	151,000	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	151,000	-	-
Net Change in Fund Balances	12,566	(4,691)	(655,746)	(4,519)	48,781	33,954	6,941
Fund Balances (Deficit) - Beginning of year	272,247	31,328	756,253	14,788	39,913	1,742	10,734
Fund Balances (Deficit) - End of year	<u>\$ 284,813</u>	<u>\$ 26,637</u>	<u>\$ 100,507</u>	<u>\$ 10,269</u>	<u>\$ 88,694</u>	<u>\$ 35,696</u>	<u>\$ 17,675</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2008

Capital Projects Funds								
832	843	436	833	834	835	836	837	840
Whitby Road Improvements	4203 Brandt Avenue Drain	District Court Building Fund	Burnly Paving	Chester Road Improvement	Mid-Town Drainage	Mid-Town West Paving	Mid-Town East Paving	Mid-Town Concrete
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(4)	228	-	-	(5)	-	8,469	5,234	599
3	8	31,424	509	7	31,980	45,713	29,092	22
(1)	236	31,424	509	2	31,980	54,182	34,326	621
-	-	-	-	-	-	-	-	-
-	-	-	-	-	50,634	-	-	-
-	-	-	-	-	50,634	-	-	-
(1)	236	31,424	509	2	(18,654)	54,182	34,326	621
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(1)	236	31,424	509	2	(18,654)	54,182	34,326	621
116	4	75,189	11,235	161	748,152	989,074	630,199	-
\$ 115	\$ 240	\$ 106,613	\$ 11,744	\$ 163	\$ 729,498	\$ 1,043,256	\$ 664,525	\$ 621

City of Garden City, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Accounting System Fund Number	Capital Projects Funds							Total Nonmajor Governmental Funds
	841	844	845	896	850	851	852	
	Central Perrin	Sidewalk 2a	4206 Pardo- Hartel	Special Assessment Bond Fund	Birchlawn and Beechwood Paving	John Hawk South Lathers Reconstruction	Maplewood Road	
Revenue								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,157,412
Federal sources	-	-	-	-	-	-	-	176,716
State sources	-	-	-	-	-	-	-	497,267
Charges for services	-	-	-	-	-	-	-	523,194
Special assessments	-	28	3,019	-	-	34,336	30,734	84,294
Interest and other	4,137	4,055	234	7,708	818	4,672	1,907	560,799
Total revenue	4,137	4,083	3,253	7,708	818	39,008	32,641	2,999,682
Expenditures								
Current - Community maintenance, development, and other	73	-	-	-	-	-	-	2,020,203
Debt service	-	-	-	1,969,904	-	-	-	3,877,441
Total expenditures	73	-	-	1,969,904	-	-	-	5,897,644
Excess of Revenue Over (Under) Expenditures	4,064	4,083	3,253	(1,962,196)	818	39,008	32,641	(2,897,962)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	788,677
Transfers out	-	-	-	-	-	-	(124,774)	(733,609)
Total other financing sources (uses)	-	-	-	-	-	-	(124,774)	55,068
Net Change in Fund Balances	4,064	4,083	3,253	(1,962,196)	818	39,008	(92,133)	(2,842,894)
Fund Balances (Deficit) - Beginning of year	90,460	88,185	3,108	2,137,579	17,777	77,809	32,555	8,078,609
Fund Balances (Deficit) - End of year	<u>\$ 94,524</u>	<u>\$ 92,268</u>	<u>\$ 6,361</u>	<u>\$ 175,383</u>	<u>\$ 18,595</u>	<u>\$ 116,817</u>	<u>\$ (59,578)</u>	<u>\$ 5,235,715</u>

City of Garden City, Michigan

Other Supplemental Information Balance Sheet Modified Accrual Basis Downtown Development Authority June 30, 2008

	Component Unit - Downtown Development Authority
Assets	
Cash and investments	\$ 817,462
Receivables - Net	387,810
Total assets	<u><u>\$ 1,205,272</u></u>
Liabilities and Equity	
Liabilities	
Accounts payable	\$ 5,522
Accrued and other liabilities	2,872
Deferred revenue	387,811
Total liabilities	396,205
Equity - Fund balance - Unreserved, undesignated	<u>809,067</u>
Total liabilities and equity	<u><u>\$ 1,205,272</u></u>

City of Garden City, Michigan

Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance Modified Accrual Basis Downtown Development Authority Year Ended June 30, 2008

	Component Unit - Downtown Development Authority
Revenue	
Property taxes	\$ 492,532
Interest and other	33,426
Total revenue	525,958
Expenditures	
Community maintenance, development, and other	237,810
Debt service	219,222
Total expenditures	457,032
Excess of Revenue Over Expenditures	68,926
Fund Balance - Beginning of year	740,141
Fund Balance - End of year	<u><u>\$ 809,067</u></u>

City of Garden City, Michigan

Schedule of Indebtedness Schedule of Governmental Activities Limited Tax Bonds Year Ended June 30, 2008

Purpose: 2004 General Obligation Limited Tax Refunding Bonds
Date of issue: June 2, 2004
Amount of issue: \$3,385,000
Payee: Cede & Co.
Funds paid from: 101-General Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
2008/2009	\$ 235,000	3.75	\$ 80,397	\$ 315,397
2009/2010	280,000	3.75	71,585	351,585
2010/2011	275,000	4.00	61,085	336,085
2011/2012	265,000	4.00	50,085	315,085
2012/2013	310,000	4.10	39,485	349,485
2013/2014	300,000	4.50	26,775	326,775
2014/2015	295,000	4.50	13,275	308,275
Total	<u>\$ 1,960,000</u>		<u>\$ 342,687</u>	<u>\$ 2,302,687</u>

City of Garden City, Michigan

Schedule of Indebtedness (Continued) Schedule of Governmental Activities Obligation Bonds Year Ended June 30, 2008

Purpose: 2005 General Obligation Limited Tax Refunding Bonds
 Date of issue: August 24, 2005
 Amount of issue: \$2,305,000
 Payee: J.P. Morgan Chase
 Funds paid from: 101-General Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
2008/2009	\$ 180,000	3.500	\$ 80,975	\$ 260,975
2009/2010	175,000	3.500	74,763	249,763
2010/2011	170,000	3.500	68,725	238,725
2011/2012	160,000	3.750	62,750	222,750
2012/2013	210,000	5.000	54,500	264,500
2013/2014	205,000	5.000	44,125	249,125
2014/2015	200,000	5.000	34,000	234,000
2015/2016	200,000	5.000	24,000	224,000
2016/2017	240,000	4.000	14,200	254,200
2017/2018	235,000	4.000	4,700	239,700
Total	<u>\$ 1,975,000</u>		<u>\$ 462,738</u>	<u>\$ 2,437,738</u>

City of Garden City, Michigan

Schedule of Indebtedness (Continued) Schedule of Governmental Activities Obligation Bonds (Continued) Year Ended June 30, 2008

Purpose: 2005 General Obligation Limited Tax
Date of issue: December 1, 2005
Amount of issue: \$7,500,000
Payee: J.P. Morgan Chase
Funds paid from: 301-Debt Retirement Fund

<u>Fiscal Year</u>	<u>Maturity Amount</u>	<u>Rate (Percent)</u>	<u>Amount</u>	<u>Total</u>
2008/2009	\$ 400,000	3.750	\$ 272,925	\$ 672,925
2009/2010	400,000	3.750	257,925	657,925
2010/2011	400,000	3.500	242,925	642,925
2011/2012	500,000	3.500	228,925	728,925
2012/2013	500,000	3.625	211,425	711,425
2013/2014	500,000	3.700	193,300	693,300
2014/2015	600,000	3.800	174,800	774,800
2015/2016	700,000	4.000	152,000	852,000
2016/2017	700,000	4.000	124,000	824,000
2017/2018	800,000	4.000	96,000	896,000
2018/2019	800,000	4.000	64,000	864,000
2019/2020	800,000	4.000	32,000	832,000
Total	<u>\$ 7,100,000</u>		<u>\$ 2,050,225</u>	<u>\$ 9,150,225</u>

City of Garden City, Michigan

Schedule of Indebtedness (Continued) Schedule of Governmental Activities Obligation Bonds (Continued) Year Ended June 30, 2008

Purpose: 2006 General Obligation Limited Tax
Date of issue: January 13, 2006
Amount of issue: \$7,480,000
Payee: Bank of New York
Funds paid from: 301-Debt Retirement Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
2008/2009	\$ 400,000	3.500	\$ 241,050	\$ 641,050
2009/2010	400,000	3.500	227,050	627,050
2010/2011	400,000	3.450	213,050	613,050
2011/2012	500,000	3.500	199,250	699,250
2012/2013	500,000	3.600	181,750	681,750
2013/2014	500,000	3.700	163,750	663,750
2014/2015	600,000	3.750	145,250	745,250
2015/2016	700,000	3.800	122,750	822,750
2016/2017	700,000	3.850	96,150	796,150
2017/2018	800,000	4.000	69,200	869,200
2018/2019	800,000	4.000	37,200	837,200
2019/2020	<u>130,000</u>	4.000	<u>5,200</u>	<u>135,200</u>
Total	<u>\$ 6,430,000</u>		<u>\$ 1,701,650</u>	<u>\$ 8,131,650</u>

City of Garden City, Michigan

Schedule of Indebtedness (Continued) Schedule of Business Activities Obligation Bonds Year Ended June 30, 2008

Purpose: 2008 General Obligation Limited Tax
Date of issue: January 28, 2008
Amount of issue: \$1,610,000
Payee: Bank of New York
Funds paid from: 592-Water and Sewer Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Interest Expense	
2008/2009	\$ -	-	\$ 73,497	\$ 73,497
2009/2010	25,000	3.500	67,406	92,406
2010/2011	50,000	3.500	66,094	116,094
2011/2012	50,000	3.750	64,281	114,281
2012/2013	60,000	3.750	62,219	122,219
2013/2014	75,000	4.000	59,594	134,594
2014/2015	75,000	4.000	56,594	131,594
2015/2016	75,000	4.000	53,594	128,594
2016/2017	75,000	4.500	50,406	125,406
2017/2018	75,000	4.500	47,031	122,031
2018/2019	75,000	4.125	43,797	118,797
2019/2020	100,000	4.125	40,188	140,188
2020/2021	100,000	4.125	36,063	136,063
2021/2022	100,000	4.125	31,938	131,938
2022/2023	100,000	4.250	27,750	127,750
2023/2024	100,000	4.250	23,500	123,500
2024/2025	100,000	4.500	19,125	119,125
2025/2026	125,000	4.500	14,063	139,063
2026/2027	125,000	4.500	8,438	133,438
2027/2028	125,000	4.500	2,813	127,813
Total	\$ 1,610,000		\$ 848,391	\$ 2,458,391

City of Garden City, Michigan

Schedule of Indebtedness (Continued) Schedule of Governmental and Business-type Refunding Bonds Year Ended June 30, 2008

Purpose: 2001 Sewage Disposal System Refunding Bonds
Date of issue: June 7, 2001
Amount of issue: \$9,730,000
Payee: Chase Bank, Detroit, MI
Funds paid from: 101-General Fund and 592-Water and Sewer Fund

Fiscal Year	Total Maturity Amount	Maturity Allocation		Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total Principal and Interest
		General Fund	Enterprise Fund			General Fund	Enterprise Fund	
2008/2009	\$ 770,000	\$ 224,601	\$ 545,399	4.200	\$ 280,780	\$ 81,900	\$ 198,880	\$ 1,050,780
2009/2010	790,000	230,434	559,566	4.500	246,835	71,999	174,836	1,036,835
2010/2011	905,000	263,979	641,021	4.500	208,698	60,875	147,823	1,113,698
2011/2012	760,000	221,684	538,316	4.750	170,285	49,670	120,615	930,285
2012/2013	850,000	247,936	602,064	4.750	132,047	38,517	93,530	982,047
2013/2014	870,000	253,769	616,231	4.750	91,198	26,601	64,597	961,198
2014/2015	745,000	217,308	527,692	4.700	53,027	15,467	37,560	798,027
2015/2016	740,000	215,847	524,155	4.800	17,760	5,180	12,580	757,762
Total	<u>\$ 6,430,000</u>	<u>\$ 1,875,558</u>	<u>\$ 4,554,444</u>		<u>\$ 1,200,630</u>	<u>\$ 350,209</u>	<u>\$ 850,421</u>	<u>\$ 7,630,632</u>

Purpose: 2004 General Obligation Limited Tax Refunding Bonds
Date of issue: May 1, 2005
Amount of issue: \$5,385,000
Funds paid from: 101-General Fund and 592-Water and Sewer Fund

Fiscal Year	Total Maturity Amount	Maturity Allocation		Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total Principal and Interest
		General Fund	Enterprise Fund			General Fund	Enterprise Fund	
2008/2009	\$ 405,000	\$ 81,810	\$ 323,190	2.750	\$ 170,696	\$ 34,481	\$ 136,216	\$ 575,696
2009/2010	420,000	84,840	335,160	3.000	158,828	32,083	126,744	578,828
2010/2011	440,000	88,880	351,120	4.000	143,728	29,033	114,695	583,728
2011/2012	485,000	97,970	387,030	3.375	126,743	25,602	101,141	611,743
2012/2013	475,000	95,950	379,050	3.500	110,246	22,270	87,977	585,246
2013/2014	515,000	104,030	410,970	3.625	92,599	18,705	73,894	607,599
2014/2015	560,000	113,120	446,880	3.625	73,115	14,769	58,346	633,115
2015/2016	575,000	116,150	458,850	3.700	52,328	10,570	41,757	627,328
2016/2017	10,000	2,020	7,980	4.000	41,490	8,381	33,109	51,490
2017/2018	10,000	2,020	7,980	4.000	41,090	8,300	32,790	51,090
2018/2019	260,000	52,520	207,480	4.000	35,690	7,209	28,481	295,690
2019/2020	255,000	51,510	203,490	4.000	25,390	5,129	20,261	280,390
2020/2021	250,000	50,500	199,500	4.000	15,290	3,089	12,201	265,290
2021/2022	245,000	51,695	193,305	4.200	5,145	1,039	4,106	250,145
Total	<u>\$ 4,905,000</u>	<u>\$ 993,015</u>	<u>\$ 3,911,985</u>		<u>\$ 1,092,378</u>	<u>\$ 220,660</u>	<u>\$ 871,718</u>	<u>\$ 5,997,378</u>

City of Garden City, Michigan

Schedule of Indebtedness (Continued)

Schedule of Business-type and Component Unit Developmental Bonds

Year Ended June 30, 2008

Purpose: 1998 Development Bonds
 Date of issue: June 1, 1998
 Amount of issue: \$3,000,000
 Payee: Chase Bank, Detroit, MI
 Funds paid from: 592-Water and Sewer Fund and 729-Downtown Development Authority

Fiscal Year	Total Maturity Amount	Maturity Allocation		Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total
		Component Unit (DDA)	Enterprise Fund			Component Unit (DDA)	Enterprise Fund	
2008/2009	\$ 150,000	\$ 123,135	\$ 26,865	4.40	\$ 110,200	\$ 90,463	\$ 19,737	\$ 260,200
2009/2010	150,000	123,135	26,865	4.50	103,525	84,984	18,541	253,525
2010/2011	200,000	164,180	35,820	4.60	95,550	78,437	17,113	295,550
2011/2012	200,000	164,180	35,820	4.70	86,250	70,803	15,447	286,250
2012/2013	200,000	164,180	35,820	4.80	76,750	63,004	13,746	276,750
2013/2014	200,000	164,180	35,820	4.85	67,100	55,082	12,018	267,100
2014/2015	250,000	205,225	44,775	5.00	56,125	46,073	10,052	306,125
2015/2016	250,000	205,225	44,775	5.00	43,750	35,914	7,836	293,750
2016/2017	250,000	205,225	44,775	5.00	31,250	25,653	5,597	281,250
2017/2018	250,000	205,225	44,775	5.00	18,750	15,392	3,358	268,750
2018/2019	249,907	205,286	44,621	5.00	6,250	5,131	1,119	256,157
Total	<u>\$ 2,349,907</u>	<u>\$ 1,929,176</u>	<u>\$ 420,731</u>		<u>\$ 695,500</u>	<u>\$ 570,936</u>	<u>\$ 124,564</u>	<u>\$ 3,045,407</u>

State Revolving Fund Debt*

\$ 859,933

* This represents the remaining amount due to the Michigan Municipal Bond Authority with interest charged at 2 percent.

City of Garden City, Michigan

Report to the City Council

June 30, 2008



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To the City Council
City of Garden City, Michigan

We have recently completed our audit of the basic financial statements of the City of Garden City, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following report on internal control, results of the audit, other recommendations, and informational - legislative matters which impact the City:

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Report on Internal Control	1-2
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Informational - Legislative Matters	10-17

We are grateful for the opportunity to be of service to the City of Garden City, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

December 1, 2008



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Report on Internal Control

December 1, 2008

To the City Council
City of Garden City, Michigan

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the City of Garden City, Michigan's (the "City") financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the City of Garden City, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- During the audit, there were several instances noted of purchases being divided into two separate invoices to avoid the City's bid threshold.
- The activity of the City's Pension Trust Fund - Employees' Retirement System was not recorded in the general ledger or reconciled until after year end.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.

This communication is intended solely for the information and use of management, the City Council, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek



Brian J. Camiller



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Results of the Audit

December 1, 2008

To the Honorable Mayor and
Members of City Council
City of Garden City, Michigan

We have audited the financial statements of the City of Garden City, Michigan (the "City") for the year ended June 30, 2008 and have issued our report thereon dated December 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Garden City, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Garden City, Michigan are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant estimates included in the financial statements include incurred but not reported claims of the workers' compensation and general liability funds.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatementsⁱ

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2008.

To the Honorable Mayor and
Members of City Council
City of Garden City, Michigan

December 1, 2008

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the City Council and management of the City of Garden City, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek



Brian J. Camiller

Other Recommendations

In addition to the two preceding reports, we have identified additional matters that we would like to communicate as a result of our audit. These matters are not considered to be significant deficiencies or material weaknesses.

Financial Results

For the year ended June 30, 2008, the City's General Fund improved its financial position by approximately \$640,000. Revenues of the General Fund increased by approximately 6.0 percent. Expenditures increased by approximately 3.7 percent.

The main reasons for the increase in General Fund revenue were an increased taxable value for the City, increased reimbursement of road maintenance from the State of Michigan, increased fees for district court fines, and proceeds from the sale of the library building.

While the City Council as well as department heads and staff enacted many proactive methods of cost cutting and revenue seeking, we believe it would be helpful to keep the following financial considerations in mind as the City Council continues to monitor financial position:

- The pension contribution continues to increase as a percentage of payroll. The current year, increase was approximately \$94,000 from the prior year and the projected increase for the year ended June 30, 2008 is an additional \$257,000, which would make the 2008 contribution approximately \$1,509,000 or 20.7 percent of payroll. This is a result of many factors including poor investment returns from 2002-2005 and from changing demographics (people living longer, etc.). Looking ahead, the recent decline in financial markets is certainly going to be a factor in the next actuarial valuation for the pension system.
- As indicated in the prior years, employee postretirement healthcare benefits had been historically funded through the City of Garden City, Michigan's Employees' Retirement System in accordance with Public Act 28 of 1966 prior to June 30, 2003. As defined in the Act, funding of postretirement healthcare benefits is limited to investment income in excess of an actuarially determined limit. City management, in conjunction with the City's actuary, has performed the calculation for each year ending subsequent to June 30, 2003. Expenditures for postemployment health care paid by the General Fund on behalf of the Employees' Retirement System were approximately \$960,000 at June 30, 2003 and have continued to increase each year from that initial contribution to approximately \$1,727,000 for the year ended June 30, 2008. With limited investment income of previous years combined with the increasing interest rates currently, the City should continue to analyze the impact of this cost on the General Fund and appropriately allocate costs to the applicable fund and to continue to analyze the appropriate reimbursement amount from retirees.

City of Garden City, Michigan

Other Recommendations (Continued)

- For the City's fiscal year beginning July 1, 2008, new accounting rules will require an actuarial valuation to determine the annual contribution that would be necessary to fund retiree healthcare costs over a 30-year period. The City will need to have a preliminary valuation performed to calculate what the annual contribution requirements will be. While the accounting rules do not (cannot) require you to make any annual contributions to prefund this obligation, the actuarial valuation will be a significantly large number, and will cause the City Council to have to debate the merits of funding some or all of the recommended contribution.

We would strongly encourage the City to continue to develop multi-year operational and capital plans in order to ensure continued financial viability over the long run in this uncertain municipal environment.

Other items noted during the audit are as follows:

- It was noted on the outstanding check listing at year end that there were outstanding checks greater than one year old. The check amounts were minimal; however, we recommend that the City review these items and determine the proper course of action for followup.
- As noted in the report on internal control above, the budget for General Fund expenditures was not amended during the year. One budget amendment was made for revenues. Consequently, several departments were significantly over budget. Spending in excess of appropriations is a violation of Michigan law. We highly encourage the City to monitor expenditures during the year and make the necessary amendments to the budget before overages occur.
- During the audit, it was noted that the City unnecessarily paid sales tax on items due to not taking full advantage of its tax-exempt status. We encourage the City to review each invoice received to prevent incurring unnecessary expenditures.
- It has been several years since the City has adjusted the allocation of overhead (administrative charge) to the various departments or funds. In order to fairly and appropriately share the administrative costs incurred by General Fund, we encourage the City to evaluate the cost pools that are currently being allocated and the percentages used to allocate them to the various departments and funds.
- A Tax Increment Financing District is only authorized to capture taxes to the extent there is a plan in place to spend the captured money. The Downtown Development Authority (DDA) has now accumulated a fund balance of over \$800,000. We encourage the DDA to continue to review its Tax Incremental Financing Plan and identify projects that can be completed with captured funds, or adjust future captures accordingly.

City of Garden City, Michigan

Other Recommendations (Continued)

- Due to new auditing standards implemented during the current year, a more in-depth review of the internal controls at the City was required, including the general controls related to the information technology systems. During the audit, the City completed questionnaires related to the IT system and provided us with supporting documentation. This information was reviewed by one of our internal IT specialists who has identified several control deficiencies and has provided suggestions how the City can improve the controls affecting IT. These suggestions are summarized in a separate memo addressed to the City Council and dated December 1, 2008.

Informational

Revenue Sharing

The governor released her proposal of the State's fiscal year 2009 budget (for the year ended September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the legislature further debated the level of the revenue-sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ended September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25 and enacted in mid-August.

Here is a summary (in millions of dollars) of the revenue-sharing budget submitted to the governor:

	FY 2007 Actual	FY 2008 Projected	FY 2009 Projected	Percent Change
Cities, villages, and townships:				
Constitutional	\$ 665.980	\$ 682.780	\$ 675.992	-0.99%
Statutory	404.920	392.050	406.933	3.80%
Total to cities, villages, and townships	1,070.900	1,074.830	1,082.925	0.75%
Counties (statutory)	-	-	2.394	n/a
Total revenue sharing	\$ 1,070.900	\$ 1,074.830	\$ 1,085.319	0.98%

While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in fiscal year 2009 to equal the total of constitutional and statutory revenue sharing received in fiscal year 2008, plus an additional payment equal to 2 percent of the fiscal year 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for fiscal year 2009 will be identical to the amounts received in fiscal year 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

City of Garden City, Michigan

Informational (Continued)

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually.

It is encouraging that this budget funds revenue sharing at a higher level than last year. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted - please remember to remind your state representatives of the importance of extending this legislation.

The table below details state-shared revenue for the City since 2002 broken out by statutory and constitutional portions.

State Fiscal Year	Constitutional	Statutory	Total	Decrease from 2002
2002	\$ 1,969,677	\$ 1,962,992	\$ 3,932,669	\$ -
2003	2,003,024	1,766,043	3,769,067	163,602
2004	1,981,265	1,406,195	3,387,460	545,209
2005	2,028,548	1,321,989	3,350,537	582,132
2006	2,063,083	1,250,174	3,313,257	619,412
2007	2,020,216	1,194,372	3,214,588	718,081
2008	2,087,665	1,126,923	3,214,588	718,081
2009 est.	2,050,595	1,187,880	3,238,475	694,194

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$1,100,000 at risk in its General Fund budget based on 2008 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include the following:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual informational exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.
- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values)

- Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.
- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the six mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Streets Fund (MSF) to their Local Streets Fund (LSF) at a level of 50 percent of annual major streets funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local streets systems as well as a detailed resolution passed by the City. It is important to note that major streets monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Streets Fund and the Local Streets Fund if certain conditions are met.

FACT Act - Potential Impact on Municipal Utility Systems

The Fair and Accurate Credit Transactions Act was passed in 2003, with final regulations published at the end of 2007. These FTC rules, and more specifically the red flag rules encompassed in them, may be applicable to municipal utility systems. The rules, put in place as a measure to protect against identity theft, indicate that a “creditor” with a “covered account” must implement a written identify theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

Under the rules, a creditor is defined very broadly, encompassing any entity that defers payment for goods and services, as defined under the red flag rules. This most likely includes municipalities that “defer payments” by their utility customers when water, sewer, electric, gas, and trash are sold to customers day-by-day but paid for at the end of the billing cycle.

The act would require written policies and procedures to be put in place to identify and follow up on red flags. Red flags, just as an example, would be the presentation by the customer of suspicious personal information that is inconsistent with external sources or suspicious documents provided for identification that appear to be alerted. The regulations appear to be flexible so that each government would have the ability to design an identity theft program that is tailored to its particular operation, given its size, technology currently utilized, and the perceived risk of identity theft in its community.

We encourage you to follow up with legal counsel if you believe that this Act may apply to the City.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. In general, Plante & Moran, PLLC strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishing, etc. In addition, we feel that the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as "Public Act 20" which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a preapproval for future debt issues. The current filing is due within six months of the City’s year end (due June 30, 2009) and is good for one year thereafter.